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**DATE:** November 7, 2017  
**TO:** Airports Commission  
**FROM:** Harry Freitas, Director, Roads and Airports  
**SUBJECT:** Business Plan Update for RHV and E16

**RECOMMENDED ACTION**

Receive report from Roads & Airports Department relating to Business Plans for Reid-Hillview and San Martin Airports.

**COMMITTEE RECOMMENDATIONS**

Accept report from Roads and Airports Department regarding procedure to complete an update to the Business Plans for Reid-Hillview and San Martin airports.

**FISCAL IMPLICATIONS**

There is no fiscal impact to the General Fund. There is a potential cost of \$225,000 to the Airport Enterprise Fund (AEF).

**CONTRACT HISTORY**

None

**REASONS FOR RECOMMENDATION**

At the May 9<sup>th</sup>, 2017 Board of Supervisors meeting staff received direction to develop a work plan to update the Business Plans for the Reid Hillview and San Martin Airports. Staff was to deliver a funding plan, scope and schedule for new business plans to the board of Supervisors for approval.

**CHILD IMPACT**

The recommended action will have no/neutral impact on children and youth.

**SENIOR IMPACT**

The recommended action will have no/neutral impact on seniors.

**SUSTAINABILITY IMPLICATIONS**

The recommended action will have no/neutral sustainability implications.

**BACKGROUND**

The current Business Plans for Reid-Hillview airport and San Martin airport were published in 2006. Since that time there have been many changes within the county airports system, including the divestiture of the Palo Alto Airport, a marked decrease in the quantity of based aircraft, changes in pilot demographics, and the upcoming expiration of all long-term FBO leases at RHV and E16. With these changes comes a need to re-evaluate the Business Plan for both airports.

### Scope of Work

The business plan would include the following analysis.

1. Perform an analysis of the Airport Enterprise Fund overall and each individual airports finances This will include trend analysis of expenses and income along with airport operations statistics for the past ten-year period. This information will be used to develop the existing business case in aviation operation and finance in Santa Clara County, and how that affects income and expenses.
2. Examine the interrelationship between the Airport Enterprise Fund operating budget and capital budget This will involve a review of past capital expenditures and their funding sources including both federal grant funds and local match along with a review of future capital needs and the AEF capability to fund them. The report will also analyze how a capital investment plan may affect future operating costs. The development of the future capital investment plan will require a more in-depth review of current facilities and projection of capital improvements along with airfield configuration changes necessary to meet Federal Aviation Administration guidelines for airport design. For the purposes of this business plan staff anticipates a cursory evaluation of the future investment plan.
3. Identify ways to diversify the airports' existing revenue stream as well as identify new revenue opportunities and potential cost-saving measures This is an analysis of all current revenue streams that fund the AEF. This will also identify current and future capital and operating expense trends as well as opportunities to reduce expenses. All airport properties will be appraised for lease value in an effort to identify strategies to increase revenues on an ongoing basis.
4. Reexamining the airports' Schedule of Fees and Charges and recommend changes accordingly, This task will include a benchmarking of the fees charged by other Bay Area airports to compare with Santa Clara County airports. Staff will meet with airport stakeholders to obtain their input on the current fee schedule and take input on potential changes. This analysis will result in a new recommended fee schedule. It also may result in new fee categories and possible elimination of other fees.
5. Determine the optimal re-lease strategy for the airports' FBO leaseholders This will require a market study on the optimal number of FBO's, which will include a review

of the mix and quantity of aircraft based at RHV and E16 and a review of airport operation statistics. An additional study of the aircraft mix currently utilizing Bay Area airports and the capability of those aircraft to use County Airports will be undertaken to help determine the type of services that the future FBOs' should provide. Outreach to current airport stakeholders will also garner input on their needs for future airport FBO services.

In conjunction with this effort, a Minimum Standards document will be developed to ensure the consistent and safe utilization of Airport property. Minimum Standards serve to "promote safety in all airport activities, protect airport users from unlicensed and unauthorized products and services, maintain and enhance the availability of adequate services for all airport users, promote the orderly development of airport land, and ensure efficiency of operations<sup>1</sup>." Due to the overlapping nature of Minimum Standards, Airport Rules and Regulations and the County Airports License Agreement, updates to the Airport Rules and Regulations and License Agreement will be undertaken concurrently.

6. Determining the optimal leasing strategy for the areas identified in the RHV Master Plan for non-aviation commercial development This analysis will evaluate the current encumbrances and property restrictions associated with development on or near the airports while also considering the community desirability and impact of any non-aviation development.
  
7. Developing long-range maintenance plan for the airports infrastructure, including associated cost estimates. Staff will consult with a professional engineering firm to evaluate current airport infrastructure and develop a report on anticipated repairs and improvements needed over the next ten years, including estimated costs. Staff will meet with airport users to help prioritize those needs to best continue the safe operation of the airport and meet the user's needs. A cost and time estimate is still being developed.
  
8. Determine the appropriate role of the federal Airport Improvement Program (AIP) grants to fund capital improvements identified in the airports' Masterplans. A report will be generated detailing the anticipated maintenance and capital needs and costs for Reid-Hillview and San Martin over the next ten years through steps 2 and 6 above. Steps 1, 3 and 4 will detail existing funding sources which must be analyzed in conjunction with a review of the advantages and disadvantages associated with accepting AIP grant funding from the Federal Aviation Administration. This report

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<sup>1</sup> Federal Aviation Administration Advisory Circular 150/5190-7, Minimum Standards for Commercial Aeronautical Activities, page 3

will be brought to the Board of Supervisors through the Airport Commission to provide an opportunity for airport users and the community to provide input.

9. Synthesizing the above work product into comprehensive, updated Business Plan for the airports going forward will require creating the updated Business Plans. The report can be completed and submit it through the Airport Commission and HLUET to the Board. This process is anticipated to take 4 to 6 months.

Outreach is an important part of the development of the updated Business Plans. There are several opportunities through the process outlined above for the community and airport users to provide input during the development of the document. A series of regular, periodic community and stakeholder check-in meetings will be held at times convenient to the public and at locations that are easily accessible. The draft report will be circulated to interested parties with enough time for review prior to presentation to boards or commissions for approval.

In addition, staff proposed to incorporate stakeholder input through the Airport Commissions regular meetings. A calendar detailing dates and times of proposed meetings will be generated and posted once a schedule for completing the business plan update has been finalized.

The process outlined above highlights three specific areas where specialized consultants may be hired to provide necessary details to complete the Business Plan update. They are:

- An engineering consultant to evaluate current infrastructure needs and provide cost estimates. Staff is currently working on an estimated cost for this effort.
- Utilizing a property appraiser to provide valuations on available airport property.
- Updating the airports department guiding documents (Rules and Regulations, License Agreement and Minimum Standards)

The cost of these specialized services is currently estimated at \$125,000

In addition, staff is evaluating three different options for completing the Business Plan update.

Option 1. Hire a consultant to complete the entire process. After an informal conversation with an airport consultant, it is estimated that this process could cost up to \$100,000, in addition to the specialized services mentioned above.

Option 2. Perform the effort in house with supplemental retiree rehires as extra help to write the Business Plan. This could be accomplished for approximately \$50,000.

Option 3. Roads and Airports staff would complete the Business Plan. This would not require additional funds beyond those necessary for the specialized services listed above, but could take longer given the competing needs of staff time.

To complete all steps of the Business Plan update as outlined above is expected to take approximately six months from the issuance of the notice to proceed. The current cost estimate is between \$175,000 and \$225,000. Procurement of the consultant resources may add another six months to the schedule.

Staff will take this report along with any comments provided by the Airport Commission to the Housing Land Use, Environment and Transportation committee on November 16, 2017 and then to the Board of Supervisors on December 5<sup>th</sup>, 2017.